Written Statement of Investment Principles

For the AG Solutions Pension Plan

September 2020

Contents

1. INTRODUCTION, BACKGROUND AND SUMMARY

1.1 Introduction

1.1.1 Under Section 35 of **The Pensions Act 1995**, Trustees are required to prepare a *Written Statement of Investment Principles,* dealing with certain specified matters.

1.1.2 This *Statement* has been approved by the Trustees of the AG Solutions Pension Plan (hereafter, the Plan) after considering appropriate written advice from a representative of Aon Solutions UK Limited ('Aon') on the appropriateness of this statement. Aon is authorised and regulated by the Financial Conduct Authority in respect of a range of investment business activities.

1.1.3 Our investment responsibilities are governed by the Plan's trust deed and this Statement takes full regard of its provisions. A copy of the Plan's trust deed is available for inspection upon request.

1.1.4 This Written Statement of Investment Principles was updated as part of a periodic review and is dated May 2019.

1.2 Background

1.2.1 The Plan is a hybrid scheme, a defined contribution scheme with a defined benefit underpin, whereby members' assets are invested according to each member's choice in specified investment funds. Each member's choice is limited when they are within 6 years of retirement, unless they have chosen to opt out of the pre-retirement strategy, when the members' assets are invested according to each member's choice in specified investment funds.

1.3 Summary

1.3.1 **Section 2** below represents the relevant Section of **The Pensions Acts**.

1.3.2 **Section 3** deals with the importance of the Myners investment principles to the Scheme.

1.3.3 **Section 4** deals mainly with the question of risk. The Trustees regard this as the most important matter in view of the fact that individual members of this type of hybrid scheme assume the vast majority of the investment risks.

1.3.4 **Section 5** deals with investment structure.

1.3.5 **Section 6** covers the default arrangement.

1.3.6 **Section 7** covers other statutory matters.

2. THE PENSIONS ACT 1995, 1999, 2004, 2005 AND 2015 REGULATIONS

2.1 Section 35 of The Pensions Act states, inter alia, that:

“The Trustees of a pension trust must ensure that there is prepared, maintained, and from time to time revised, a written statement of the principles governing decisions about investments for the purposes of the Scheme.”

2.2 The statement must cover, among other things:

- the Trustees’ policy for securing compliance with section 36 (choosing investments); and
- their policy about certain matters.

2.3 Those matters are:

- the kinds of investments to be held;
- the balance between different kinds of investments;
- risk;
- the expected return on investments;
- the realisation of investments; and
- such other matters as may be prescribed (e.g. solvency).

2.4 Before a statement under this section is prepared or revised, the Trustees must:

- obtain and consider the written advice of a person who is reasonably believed by the Trustees to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes; and
- consult the Sponsoring Employer.

2.5 The 1999 Amendment Regulations to the Pensions Act require Trustees to declare their policy in accordance with the following:

- the matters prescribed for the purposes of section 35(3)(f) of the 1995 Act (other matters on which Trustees must state their policy in their Statement of Investment Principles) are:

  - o the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and

  - o their policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments.

2.6 The implications of the Pensions Act 2004 are:

- there is no longer a need to state the Trustees' policy in relation to compliance with the minimum funding requirement;

- the requirement that investments be 'suitable' no longer applies and so references to it can be deleted;

- the Trustees must now state their policy on the ways in which risks are to be measured and managed; (these are set out in an appendix to this statement) and

- the Trustees must state their policy for securing compliance with the new diversification and other requirements that derive from Article 18 of the Pensions Funds Directive.

2.7 In line with The Occupational Pension Schemes (Investment) Regulations 2005, this statement is reviewed

- at least every three years; and

- without any delay after any significant change in investment policy.

2.8 The Occupational Pension Schemes (Charges and Governance) Regulations 2015 introduced new minimum governance standards from April 2015 including the requirement for Trustees to prepare a Statement of Investment Principles in respect of the default arrangement. The required details in respect of the default arrangement are set out in later sections of this Statement.

2.9 The Trustee's investment adviser, Aon, has the knowledge and experience required under the Pensions Act 1995.

2.10 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to the Plan's appointed investment managers, which may include an insurance company or companies. The Plan's investment managers provide the skill and expertise necessary to competently manage members' investments.

3. MYNERS – INVESTMENT PRINCIPLES

3.1 The Trustees recognise the relevance to pension schemes of the Myners investment principles, which were published by the Government in October 2001.

Key Investment Decisions

3.2 The key investment decisions for the Plan are:

- range of funds
- choice of default fund

3.3 The Trustees should offer a wide enough range of investment options to satisfy the return and risk combinations for most members. In this case the Trustees have decided to permit members to select their own asset allocation mix (prior to the start of the compulsory de-risking period) from a limited choice of funds. These have been chosen by the Trustees to provide members with an element of investment choice which offers diversification and varying degrees of investment risk, whilst also limiting the number of fund options to maintain simplicity.

3.4 If a default fund is in place the Trustees should set the fund and investment objective. However, there are no default fund requirements until members are within 6 years of their target retirement age. During this 6 year pre-retirement period, investments are automatically switched to funds that match changes in annuity prices for that part of the assets likely to be used for annuity purchase and match cash for that part of the assets likely to be taken in cash. This applies to all assets except the With Profit funds and members' AVC funds and the assets of members who have chosen to opt out of the pre-retirement strategy.

3.5 Members may instruct switches of their assets between funds. During the pre-retirement period (if the member has not opted out of the pre-retirement strategy) member switches are not allowed to override the maximum or minimum allowed fund proportions. There is no administration charge to members for automatic pre-retirement switching or two member requested switches in any Plan year. If more than two member requested switches are made in a Plan year an administration fee will be payable by the member to the administrators.

Environmental, Social and Governance (ESG) considerations

3.6 In setting the Plan's default arrangement investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Risk considerations include the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting strategy, when selecting managers and when monitoring their performance.

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries. The Trustees also recognise that these issues may be of particular interest to members.

The Trustees have undertaken training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan and will undertake additional periodic training, as appropriate.

3.7 Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Trustee Policies on Arrangements with Asset Managers

3.8 The Trustees monitor the investments used by the Plan to consider the extent to which the default arrangement investment strategy and decisions of the asset managers are aligned with the Trustees’ policies as set out in this Statement of Investment Principles, including those on non-financial matters.

The Trustees may also monitor those investments available through the Plan, but not included in the default investment strategy. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment adviser.

Before appointment of a new asset manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees’ policies. Where possible, the Trustees will seek to express their expectations to the asset managers to try to achieve greater alignment.

The Trustees believe that setting clear expectations of the asset managers (e.g. verbally or in writing at the time of appointment), and regular monitoring of asset managers’ performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustees' policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustees’ policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager, but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

manager and some administration charges) are met by the members by deduction from the unit price. The Trustees regularly monitor and review the level of charges, as part of an annual review of the Value for Members provided by the Plan which is included in the Chair's Statement.

3.9 Stewardship – Voting and Engagement

The Trustees review the suitability of the Plan's appointed asset managers, particularly those used within the Plan's default investment strategy, and take advice from their investment adviser with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If any incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position, but may look to replace the manager.

In fund selection exercises, ESG integration and stewardship quality will be a topic of discussion between the Trustees, their investment adviser, and prospective investment managers.

With input from their investment adviser, the Trustees will conduct, a review of their investment managers' policies with respect to inclusion of ESG factors (such as climate change) within the pooled funds made available to members on an annual basis.

4. RISK

4.1 The Trustees recognise that, in this type of hybrid scheme, members assume the vast majority of the investment risks.

The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, four types of risk can be identified, as noted in **4.2 - 4.5**. When setting the strategy, the Trustees also considered a number of other risks, as outlined in **4.6.**

4.2 **Investment-Return Risk**

The risk is that a member is not investing in those asset classes (principally Equities) that are expected to yield the highest returns over the long run.

4.3 **Annuity-Rate Risk**

Primarily applicable to members wishing to purchase an annuity at retirement, the risk is that, when close to retirement, a member has not invested that part of their fund which will be used to purchase a pension, in those asset classes (principally, medium to long-dated UK Conventional Gilts), which protect against annuity-rate movements.

4.4 **Lump Sum Risk**

The risk is that, when close to retirement, a member has invested that part of their fund which will be used to provide a tax-free lump sum (or for members wishing to take their full benefits as cash, a taxable lump sum), in those asset classes (every type except Cash) that are subject to volatility in capital value terms.

4.5 **Conversion Rate Risk**

The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured. For example, for members wishing to take their benefits by transferring to a flexible income drawdwn arrangement.

4.6 **Market-Switching Risk**

Where there is wholesale switching between investment funds, especially at the point of retirement, the risk is that it unnecessarily exposes members to the vagaries of the markets on a particular day.

4.7 **Other Risks**

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustees review the suitability of the default option as part of each periodic investment review, and have communicated to members the need to review their own requirements and circumstances before making any investment decisions.

- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustees regularly review each fund's investment performance, and take ongoing advice from their investment adviser on the suitability of the funds and investment managers.

- **Liquidity Risk.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. To mitigate this risk, the Trustees have invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** While the investment managers may use derivative instruments within their pooled funds, the Trustees will not invest in derivative instruments except to contribute to a reduction of risks or facilitate efficient portfolio management.

- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Scheme is exposed to arises from holdings in the underlying funds.

- **Market Risk.** The Scheme may be subject to currency, interest rate and other price risk associated with the underlying investment funds. These risks can impact the valuations of the funds. The Trustees make available a range of funds to allow members to diversify their investments to manage these risks. Further, the Trustees closely monitor the performance of the funds and receive formal quarterly reports which consider the ongoing appropriateness of the underlying investment managers.

- **The risk of fraud, poor advice or acts of negligence ("operational risk").** The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

- **Environmental, Social, and Governance Risks.** Including:

    - The risk of the extent to which ESG factors are not appropriately reflected in asset prices and/or not considered in investment decision making processes leading to underperformance relative to targets.

    - The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

    The Trustees will include ESG-related risks, on the Plan's risk register as part of ongoing risk assessment and monitoring.

  Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the flexibility of the default option periodically.

4.8 In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

5. INVESTMENT STRUCTURE

5.1 A refresh of the default arrangement review was commissioned during 2017/2018. The Trustees concluded that as a vehicle to target annuity purchase, the current arrangement remained fit for purpose, but that there was sufficient evidence to suggest that members are choosing alternatives to annuity purchase at retirement following the introduction of pension flexibilities by the Government in April 2015. The Trustees therefore considered the best way to allow greater flexibility in the default arrangement to target additional options at retirement, deciding to allow members to 'opt out' of the (previously compulsory) pre-retirement strategy.

In addition, during 2017/2018 the Trustees commissioned a review of the existing fund choice, taking into account fund performance and transaction charges. Following the end of the Plan year, the Trustees decided to replace the actively managed Newton 50:50 Global Equity fund with the passively managed BlackRock DC Aquila MSCI World Index Fund.

During March 2018, the Trustees received notification that the BNY Mellon Sterling Liquidity Fund was due to close and, following the end of the Plan year, the Trustees moved the funds from the BNY Mellon Sterling Liquidity Fund to the Insight Sterling Liquidity Fund, a similar fund in objective, performance and charges.

At all stages of this review the Trustees consulted with their Investment Advisors, Aon.

5.2 In order to deal with the risks identified in **4.2 - 4.6**, the Trustees have resolved to provide members with the following investment funds.

In the period prior to the de-risking strategy (i.e. more than 6 years from planned retirement date), and continuing for those members who have opted out of the de-risking strategy, members can select the proportions of contributions allocated to each of the funds, in multiples of 10%.

Fund type & description	Manager/ Fund	Investment aim & strategy
Balanced Fund Invests predominantly in a worldwide portfolio of equities, as well as fixed interest securities and cash.	**BNY Mellon** Global Balanced Fund Exempt 1	The aim is to exceed wage and salary inflation and produce upper quartile returns over rolling 5 year periods. The fund aims to outperform a fixed weight comparative index comprising 37.5% FTSE All Share, 37.5% FTSE World (ex UK), 20% FTSE Government All Stocks and 5% LIBD 7 day cash.

With Profits Fund Designed to benefit from smoothing of investment growth from bonuses paid out of life office reserves. This fund is closed to new investors.	**Standard Life** With Profits One Fund	The aim is to provide growth in value over the long term, whilst maintaining an appropriate level of financial strength to meet contractual obligations. With profit providers do not have aims that can easily be measured however this fund continues to be provided for the benefit of members who have invested or wish to invest in this type of fund.
Annuity Protection Fund Designed to protect the purchasing power (in the annuity market) for members approaching retirement	**BlackRock** DC Pre-Retirement Fund Class E	The aim is to outperform a composite benchmark of fixed interest gilts and corporate bonds which is set by the fund manager to broadly reflect the market price of annuities. The fund will invest mainly in long dated UK government bonds and long dated UK corporate bonds.
Equity Fund	**BlackRock** DC Aquila MSCI World Index Fund	The aim is to achieve a return (gross of fees) broadly consistent with the MSCI World Index
Cash Fund	**Insight** Sterling Liquidity Fund	The objective is to provide as high a level of current income in sterling terms as is consistent with the preservation of capital in sterling terms and maintenance of liquidity.

Equitable Life With Profits Fund

In 2019, Equitable Life entered into an agreement to transfer bulk of its business and policies to Utmost Life and Pensions. The conversion terms resulted in significant uplift to with-profit policy values.

For the Plan members invested in the Equitable Life With Profits Fund, this meant that the guaranteed value of with-profits policies and any guaranteed investment returns were removed, and the policies were converted to unit-linked policies and transferred to Utmost Life and Pensoins. A one-off uplift was applied to increase the with-profit policy values.

For the funds transferred from the with-profits funds, the 'Investing by Age' strategy offered by Utmost Life and Pensions was chosen by the Trustees, which gradually reduces risk over time, depending on a member's age. It comprises of the Multi-Asset Moderate Fund, the Multi-Asset Cautious Fund and the Money Market Fund, and automatically transitions through these funds as a member gets older.

Multi-Asset Moderate Fund

This Fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash with the potential for moderate to high levels of price fluctuations.

Multi-Asset Cautious Fund

This Fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income and cash with the potential for low to **moderate** levels of price fluctuations.

5.3 The investment managers have been given discretion as to the day-to-day investment policy.

5.4 It is not necessarily expected that active managers will achieve the targets in every three-year period. However, they should demonstrate that the skills exercised on the funds are consistent with these targets, and that the level of risk is appropriate. The investment managers will exercise their powers of discretion in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

5.5 The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement who are planning to purchase an annuity. Cash funds are expected to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

5.6 The Trustees monitor the performance of each fund manager and will review the status and appointment of each fund manager on an annual basis. In the event of the manager failing to meet the performance objective above, the Trustees will consider carrying out a formal review, which could lead to consideration of a change of investment funds and or manager(s).

5.7 Market-Switching Risk is addressed by having a phased transition between funds.

5.8 The Trustees recognise that, if there was complete switching between funds, members could be exposed to the vagaries of the markets on one particular day. Accordingly, they have adopted, as their default arrangement, the following phased transition (the Strategy) based on the number of months a member is from their target retirement age.

5.9 This Strategy does not apply to With Profits or AVC Funds, or to the assets of any member who has opted out of the Strategy.

5.10 There will be 4 transfer dates each year approximately 3 months apart. For members who are within 6 years of their target retirement age and have not opted out of the Strategy, members are matched to the “Period to Target Retirement Age” that they are next going to enter in the table below, as at the transfer date.

5.11 For members who have not chosen to opt out of the Strategy, at 6 years before retirement (the start of the pre-retirement period), asset switching will apply into the Global Balanced Fund from the BlackRock DC Aquila MSCI World Index Fund. There will then be a schedule of phased asset switching within 6 years of retirement. Minimum and target proportions of a member's assets within the Scheme will be invested in the DC Pre-Retirement Fund and the Sterling Liquidity Fund respectively, according to the table below and subject to the following conditions:

- Once invested in either the DC Pre-Retirement Fund or the Sterling Liquidity Fund no assets will be disinvested from that Fund even if the target holding is exceeded.
- As required by the current administration system, if holdings in the DC Pre-Retirement Fund exceed the minimum holding then no further switching will take place until the holding falls below the minimum.
- Assets will not be switched into the BNY Mellon Global Balanced Fund from the DC Pre-Retirement Fund nor from the Sterling Liquidity Fund.
- Assets will not be switched into the Sterling Liquidity Fund from the DC Pre-Retirement Fund.

5.12 In practice, the "6 years" could be up to 74 months. The process is run quarterly and each process includes all members, who have not chosen to opt out of the Strategy, who will be within the 72 month period at some point in the next quarter. For example, for the switch carried out in October, it will include members who reach their 6 year trigger point (or more) within the 3 months October to December. So at the time of the switch a member might have 74 months to Target Retirement Age but will be included at the "72" point. Similarly a member at 58 months at the point of calculation will have their switch based on the rules for 57.

Period to Target Retirement Age (months)	BNY Mellon Global Balanced Fund %	Insight Sterling Liquidity Fund %	BlackRock Pre-Retirement Fund %
0	0.00	25.00	75.00
3	0.00	25.00	75.00
6	0.00	25.00	75.00
9	0.00	25.00	75.00
12	0.00	25.00	75.00
15	6.00	23.50	70.50
18	12.00	22.00	66.00
21	18.00	20.50	61.50
24	24.00	19.00	57.00
27	30.00	17.50	52.50
30	36.00	16.00	48.00
33	42.00	14.50	43.50
36	48.00	13.00	39.00
39	54.00	11.50	34.50
42	60.00	10.00	30.00
45	66.00	8.50	25.50
48	72.00	7.00	21.00
51	78.00	5.50	16.50
54	84.00	4.00	12.00
57	90.00	2.50	7.50
60	96.00	1.00	3.00
63	97.00	0.75	2.25
66	98.00	0.50	1.50
69	99.00	0.25	0.75
72	100.00	0.00	0.00

5.13 During the pre-retirement period ongoing contributions will be invested according to the Strategy unless a member has elected to invest higher than the minimum proportion in the DC Pre-Retirement Fund and/or higher than the target proportion in the Sterling Liquidity Fund. In these cases the member's wishes shall take precedence, subject to the minimum investment holding in the DC Pre-Retirement Fund being maintained.

5.14 The Strategy will be reviewed by the Trustees on a periodic basis, taking into account factors such as flexible benefit options.

5.15 The company will cover the costs of the switches set out in the table above for both active and deferred members.

5.16 After assessing

- the potentially enhanced return from active management in relation to the additional risks assumed compared to passive management; and

- the costs involved in employing an active investment manager,

the Trustees have decided to adopt a policy of implementing the above Strategy with a mix of active and passive managers. To this end, consulting with Aon in 2018, the Trustees have decided to appoint the fund managers listed in the table of 5.1, to manage the assets of the Scheme.

5.17 The Trustees continue to regularly review the performance of the funds and their overall investment strategy.

6. DEFAULT ARRANGEMENT

6.1 The Scheme was closed to new entrants in 2004 and therefore does not require a default arrangement for the purposes of auto enrolment.

6.2 The majority of the membership choose to hold most or all of their investments in the BNY Mellon Global Balanced Fund and this is where the majority of total Scheme assets continue to be held. Where members have not chosen to opt out of the Strategy, during the 6 year pre-retirement period, investments are automatically switched from the BNY Mellon Global Balanced Fund holdings into the DC Pre Retirement Fund and the Sterling Liquidity Fund. As members have to opt out of the Strategy, this together with the BNY Mellon Global Balanced Fund is therefore considered to be the Default Arrangement.

6.3 As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, further details in respect of the default arrangement are set out below or covered elsewhere within this Statement.

6.4 The Trustees believe that for the majority of members, their investment needs change as they progress towards retirement age, particularly those who are targeting annuity purchase at retirement:

- Members furthest away from retirement have a greater need for real growth to make sure their investment accounts keep pace with inflation and, if possible, salary escalation. These members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back in line from any temporary low.

- As members get closer to retirement, however, their need for real growth and tolerance for volatility of returns will decrease. In particular, those members with 6 or less years to retirement will require a greater level of protection from volatility as their ability to replace capital through increased contributions diminishes.

6.5 The aim of the Default Arrangement is to provide members with the potential for a higher level of growth during the accumulation of their retirement savings through exposure to a Balanced Fund comprising mainly equities, and then to gradually transition into a portfolio that matches changes in annuity prices for that part of the assets likely to be used for annuity purchase and match cash for that part of the assets likely to be taken in cash.

6.6 The Trustees' policy is to enable members to achieve their objectives by providing a range of funds which together offer a suitable mixture of real and monetary assets. They recognise that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile.

6.7 The Trustees conducted a review of the appropriateness of the Default Arrangement, in particular following changes in pension regulations (introduced in April 2015) which allow DC members greater flexibility in how to access their savings at retirement. The Trustee concluded that as a vehicle to target annuity purchase the Default Arrangement remained fit for purpose, but that there was sufficient evidence to suggest that members are choosing alternatives to annuity purchase at retirement. The Trustee then instigated the changes outlined in 5.1.

7. OTHER MATTERS

7.1 Introduction

7.1.1 This **Section** deals with all the other matters stipulated in Section 35 of The Pensions Act 1995.

7.2 Choosing Investments – Section 36

7.2.1 The Trustees recognise that it is appropriate to have diversified investments in the equity-based funds.

7.2.2 The Trustees recognise that diversification by type of asset is less critical for the DC Pre-Retirement Fund or the Sterling Liquidity Fund.

7.2.3 The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. Members may select from the range of funds detailed under Section 5 above as the investment funds for the AVCs. (They will be separately earmarked as AVCs within each member's personal accounts.)

7.2.4 These arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

7.2.5 Unallocated assets continue to be invested in the same proportion as the main scheme asset distribution invested by the members. These proportions will be reviewed triennially after each valuation and at intervening periods as appropriate.

7.3 Kinds of Investments

7.3.1 The funds provided are exempt pooled pension funds: members' assets are, therefore, invested in the units of a unit trust or managed fund.

7.3.2 The underlying securities owned by these pooled funds include but are not limited to the following classes:

- UK Equities
- North American Equities
- European Equities
- Japanese Equities
- Pacific-ex Japan Equities
- Emerging Markets Equities
- UK Fixed Interest
- Overseas Bonds
- Cash
- Property

7.4 Balance Between Different Types of Investments

7.4.1 This question has already been dealt with in sections **5** and **6**.

7.5 The Expected Return on Investments

7.5.1 This question has already been dealt with in section 3.3 and sections 5 and 6.

7.6 The Realisation of Investments

7.6.1 As members will own units in a pooled fund which invests in readily marketable securities, the Trustees are satisfied that assets can be realised when required. Units can be cancelled to provide for benefits on any working day.

7.7 Buying and Selling Investments

7.7.1 As the investment exposure is achieved through pooled funds, the responsibility for buying and selling units, in the main rests with the administrator and the Trustees. As already mentioned, the day to day activities within the pooled funds, are governed by the legal contract between us, which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

7.8 Written Advice

7.8.1 The Trustees received and considered written advice from a representative of Jardine Lloyd Thompson Benefit Solutions Ltd in 2012 and subsequently by Aon from 2016.

7.9 Consultation with Employer

7.9.1 The Trustees confirm that they have consulted the employer.

7.10 Responsible Investing and Voting Rights

7.10.1 Pursuant to the 1999 Amendment Regulations to the Pension Act 1995, the following sets out the Trustees' policy in relation to Responsible Investment and Voting Rights etc.

7.10.2 In endeavouring to invest in best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds and cannot therefore directly influence the social, environmental and governance policies and practices of the companies in which the pooled funds invest.

7.10.3 The Trustees acknowledge that an understanding of financially material considerations, including ESG factors (such as climate change) and risks related to these factors, is necessary to allow them to discharge their fiduciary duties in a prudent manner. As part of their review of managers' policies and approaches, the Trustees will seek to satisfy themselves that the corporate governance policies of the investment managers reflect the key principles of responsible investment.

The Trustees will review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of their policies to those of the Plan's asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with, where relevant and appropriate, engaging with underying investee companies and assets to promote good corporate governance, accountability and positive change.

7.10.4 The fund managers, having a clear policy of voting on all important issues on behalf of its investors' best financial interests, are expected to provide the Trustees with a statement dealing with policies and practices for transparency, including voting actions and rationale for those votes, where relevant to the Plan; in particular, where votes were cast against management, where votes against management generally were significant (more than 20%), or where votes were abstained.

This will form part of the Trustees' review process. The Trustees are aware that, should they wish to do so, they can instruct the fund manager to vote a proportion of the UK share held by the pooled funds (equivalent of the number of units held by the Trustees as a proportion of the total) in order that their views on a particular issue are registered.

7.10.5 From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an asset manager. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

7.10.6 The Trustees will engage with their investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be commented on in the annual Implementation Statement.

7.11 Compliance with this Statement

7.11.1 We, the Trustees of the AG Solutions Pension Plan, the investment managers and our consultants Aon (all of whom have been appointed by the Trustees), each have duties to perform to ensure compliance with this Statement. These are:

- The Trustees will review this Statement periodically on the advice of Aon, in particular keeping in mind the changes in pensions regulation which provide members greater flexibility in how they choose to take their benefits at retirement.

- Aon acting as our consultants will provide appropriate advice to allow us to review and update this statement annually (or more frequently if required).

- A copy of this Statement is provided to the investment managers to ensure they are adhering to the principles laid out in this statement.

Signed ______________________________________

Name (in full) ________________________________

Date ____

For and on behalf of the Trustees of AG Solutions Pension Plan.

Appendix - Investment risk measurement methods and management processes

Manager risk:

- is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy

- is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' process for tracking indices.

Political risk:

- is primarily considered by the fund managers, and measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

Corporate governance risk:

- is measured by the level of concentration in individual stocks leading to the risk of an adverse impact of investment values arising from corporate failure

- is managed by reviews of stock concentration and reports from the investment managers

Sponsor risk:

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme.